

Patin, Pettaway & Pettaway
(A Professional Accounting Corporation)



**The Society of the Roman Catholic Church
of the Diocese of Lake Charles**

Lake Charles, Louisiana

**Financial Statements and Independent Auditors' Report
Year Ended June 30, 2004**

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INDEPENDENT AUDITORS' REPORT

The Most Reverend Edward K. Braxton
Bishop of Lake Charles
Lake Charles, Louisiana

We have audited the accompanying statement of financial position of The Society of the Roman Catholic Church of the Diocese of Lake Charles, Inc. (Diocese), as of June 30, 2004, and the related statement of activities and statement of cash flows for the year then ended. These financial statements are the responsibility of the Diocese's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Diocese's 2003 and 2002 financial statements and, in our reports dated January 23, 2004 and December 12, 2002 respectively, we expressed a qualified opinion on those financial statements as a result of being unable to obtain audited financial statements or other evidence supporting certain amounts and disclosures. Additionally, those financial statements omitted certain post retirement benefit obligations from liabilities in the statement of financial position and the effects of those departures from generally accepted accounting principles were not reasonably determinable.

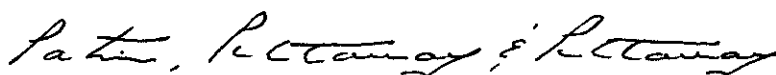
Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

We were unable to obtain audited financial statements supporting the Diocese's investment in the Louisiana Catholic Worker's Compensation Pool, an unincorporated joint venture carried in the statement of financial position at \$284,699. We were also unable to obtain audited financial statements supporting the disclosure in Note 1 of summarized financial data of related entities; nor were we able to satisfy ourselves as to the carrying value of the investment or the disclosure in Note 1 by other auditing procedures. As more fully described in Note 10 to the financial statements, the Diocese has excluded certain post retirement benefit obligations from liabilities in the accompanying statement of financial position. In our opinion, generally accepted accounting principles require that such obligations be included in the statement of financial position and the effect of this departure on the Diocese's financial position and results of operations is not reasonably determinable.

In our opinion, except for the effects of not reporting certain post retirement benefit obligations as discussed in the preceding paragraph and the effects of such adjustments, if any, that might have been determined to be necessary had we been able to obtain sufficient evidence regarding the disclosure of summarized financial data and the carrying value and earnings of the investment referred to in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocese as of June 30, 2004 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

December 3, 2004



**THE SOCIETY OF THE ROMAN CATHOLIC CHURCH OF
THE DIOCESE OF LAKE CHARLES**

Statement of Financial Position

As of June 30, 2004

(With comparative totals as of June 30, 2003 and 2002)

	2004	2003	2002
Assets:			
Cash and equivalents	\$ 4,255,338	\$ 3,834,931	\$ 3,322,177
Investments and securities (Note 3)	584,119	555,747	657,435
Accounts receivable, net of allowance for doubtful accounts of \$32,837	146,775	41,561	116,706
Grants and contributions receivable in less than one year	511,406	399,919	363,656
Grants and contributions receivable in one to five years	100,000	5,000	40,000
Notes receivable	36,996	50,204	65,691
Cash value of life insurance policies	477,941	437,977	396,277
Prepaid expenses and other assets	321,428	188,286	148,468
Property, equipment, and improvements, net (Note 4)	6,356,925	6,304,645	6,068,874
Investments pledged as collateral (Note 3)	100,000	100,000	100,000
Beneficial interest in perpetual trust (Note 7)	1,584,614	1,587,969	1,481,593
TOTAL ASSETS	\$ 14,475,542	\$ 13,506,239	\$ 12,760,877
Liabilities:			
Accounts payable	\$ 698,945	\$ 362,729	\$ 594,279
Collections and other payables	221,009	208,700	120,205
Reserve for insurance and other claims (Note 9)	160,112	252,147	192,964
Deferred revenue and support	45,775	58,960	37,050
Long-term debt (Note 5)	251,089	274,268	-
Total liabilities	1,376,930	1,156,804	944,498
Net Assets:			
Unrestricted			
Undesignated	6,405,145	6,251,762	5,878,322
Designated for specific purposes (Note 8)	4,226,265	3,716,752	3,461,751
Total unrestricted net assets	10,631,410	9,968,514	9,340,073
Temporarily restricted (Note 7)	882,588	792,952	994,713
Permanently restricted (Note 7)	1,584,614	1,587,969	1,481,593
Total net assets	13,098,612	12,349,435	11,816,379
TOTAL LIABILITIES AND NET ASSETS	\$ 14,475,542	\$ 13,506,239	\$ 12,760,877

**THE SOCIETY OF THE ROMAN CATHOLIC CHURCH OF
THE DIOCESE OF LAKE CHARLES**

Statement of Activities

Year ended June 30, 2004

(With comparative totals for the year ended June 30, 2003 and 2002)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2004 Totals	2003 Totals	2002 Totals
Support and Revenue:						
Parochial tithe	\$ 1,657,669	\$ -	\$ -	\$ 1,657,669	\$ 1,461,303	\$ 1,509,047
Diocesan assessments	2,968,521	139,153	-	3,107,674	2,788,600	2,646,409
Diocesan appeals	487,629	103,764	-	591,393	588,080	610,345
Contributions and bequests	218,314	72,726	-	291,040	438,332	2,011,011
Grants	0	776,487	-	776,487	581,927	498,474
Investment income (Note 3)	122,239	94,808	(3,355)	213,692	286,844	25,591
Special programs and other revenues	396,657	-	-	396,657	385,993	449,438
Net assets released from Restrictions (Note 6)	1,097,301	(1,097,301)	-	-	-	-
TOTAL SUPPORT AND REVENUE	\$ 6,948,330	\$ 89,637	\$ (3,355)	\$ 7,034,612	\$ 6,531,079	\$ 7,750,315
Expenses: **						
Program expenses						
Clergy life and support	365,348	-	-	365,348	341,240	483,836
Pastoral services and support	1,919,497	-	-	1,919,497	1,828,693	1,750,717
Social services and support	595,035	-	-	595,035	523,517	443,073
Health and casualty insurance costs	2,565,170	-	-	2,565,170	2,579,357	2,500,899
Supporting services						
General administrative services	702,641	-	-	702,641	589,300	542,617
Fund raising	137,743	-	-	137,743	135,916	142,690
TOTAL EXPENSES	\$ 6,285,434	\$ -	\$ -	\$ 6,285,434	\$ 5,998,023	\$ 5,863,832
Increase (decrease) in net assets	\$ 662,896	\$ 89,637	\$ (3,355)	\$ 749,178	\$ 533,056	\$ 1,886,483
<i>Net assets, beginning of year</i>	<i>9,968,514</i>	<i>792,951</i>	<i>1,587,969</i>	<i>12,349,434</i>	<i>11,816,378</i>	<i>9,929,895</i>
Net assets, end of year	\$ 10,631,410	\$ 882,588	\$ 1,584,614	\$ 13,098,612	\$ 12,349,434	\$ 11,816,378

** Details by natural classification appear on page 13.

See Notes to Financial Statements.

**THE SOCIETY OF THE ROMAN CATHOLIC CHURCH OF
THE DIOCESE OF LAKE CHARLES**

Statement of Cash Flows

Year Ended June 30, 2004

(With comparative totals for the year ended June 30, 2003 and 2002)

	2004	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:			
Increase in net assets	\$ 749,178	\$ 533,056	\$ 1,886,483
Adjustments to reconcile "increase in net assets" to net cash provided by operating activities:			
Non-cash items of (income) or expense included in the "increase in net assets"			
Depreciation and amortization, net	250,186	239,964	237,887
Provision for losses on accounts receivable	3,786	6,736	15,093
Non-cash contributions received	(47,250)	-	(1,532,906)
(Gains) losses from investment securities	(26,619)	13,609	27,213
(Gains) losses on securities held in trust	3,355	(106,376)	51,314
(Gains) losses from unconsolidated joint venture in self-insurance pool	(610)	(57,583)	20,410
(Gains) losses from disposal of property and equipment	-	17,103	1,850
(Gains) in cash surrender values of life insurance policies in excess of premiums	(23,044)	(39,949)	(18,982)
(Increase) decrease in operating assets			
Grants and contributions receivable	(206,487)	(1,263)	(137,781)
Accounts and notes receivable	(109,001)	68,407	(80,443)
Prepaid expenses	(133,142)	(39,818)	(43,583)
Increase (decrease) in operating liabilities			
Accounts payable	336,216	(231,550)	222,898
Collections and other payables	12,309	88,495	(282,252)
Deferred revenue	(13,185)	21,910	(18,718)
Reserves for health and casualty insurance claims	(92,036)	59,184	44,212
Net cash provided by (used in) operating activities	703,656	571,925	392,695
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales and maturities of investments	240,167	386,900	104,636
Purchases of investments	(228,103)	(225,748)	(114,861)
Increase in cash surrender values of life insurance policies from premiums	(16,922)	(26,906)	(7,878)
Proceeds from death benefits and surrender of life insurance policies	-	25,156	-
Purchases of property and equipment	(255,212)	(492,841)	(185,110)
Net cash provided by (used in) investing activities	(260,070)	(333,439)	(203,213)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds of long-term debt	-	280,000	-
Repayment of long-term debt	(23,179)	(5,732)	-
Net cash provided by (used in) financing activities	(23,179)	274,268	-
Net increase in cash and equivalents	420,407	512,754	189,482
Cash and equivalents, beginning of year	3,834,931	3,322,177	3,132,695
Cash and equivalents, end of year	\$ 4,255,338	\$ 3,834,931	\$ 3,322,177

See Notes to Financial Statements.

The Society of the Roman Catholic Church of The Diocese of Lake Charles

Notes to Financial Statements

1. Organization and Basis of Presentation:

The Society of the Roman Catholic Church of the Diocese of Lake Charles (Diocese) is a not-for-profit corporation organized under the laws of the State of Louisiana in 1980. The Diocese encompasses the civil parishes of Allen, Beauregard, Calcasieu, Cameron and Jefferson Davis, all located in southwest Louisiana, and is a legal entity separate and apart from thirty-eight underlying Catholic parishes, each of which is organized as a not-for-profit corporation under the laws of the State of Louisiana. The Bishop of the Diocese is the president of the diocesan corporation and each parish corporation and significantly influences the operations of all Catholic entities within the geographical area under his authority. Numerous financial transactions occur in the ordinary course of business between the diocesan corporation and each Catholic parish corporation including contributions of financial resources to support the ongoing operations of the Diocese and its programs. These financial statements include only those accounts maintained by and directly under the control of the Diocesan corporation. They do not include any accounts of Catholic parishes, Catholic schools or other related organizations operating within the geographical boundaries of the Diocese.

A summary of financial data of the thirty-eight Catholic parishes as of June 30, 2004 and for the year then ended is presented below.

Total non-fixed assets	\$ 13,741,476
Total fixed assets	91,299,195
Total assets	<u>\$105,040,671</u>
Total liabilities	\$ 3,929,780
Total net assets	101,110,891
Total liabilities and net assets	<u>\$105,040,671</u>
Total revenue	\$ 17,554,769
Total expenses	\$ 17,229,212

2. Summary of Significant Accounting Principles:

Financial Statement Presentation

The financial statements are prepared under guidelines of the Financial Accounting Standards Board contained in its Statement No. 117, *Financial Statements of Not-for Profit Organizations*. Under Statement of Financial Accounting Standard No. 117, the Diocese is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The financial statements also include information from prior years summarized for comparison purposes only. The summarized prior year information does not include sufficient detail to constitute a presentation in accordance with generally accepted accounting principles and, accordingly, should be read in conjunction with the Diocese's financial statements for the years ended June 30, 2003 and 2002 from which such information was derived. Certain prior year amounts have been reclassified to conform to the current year presentation.

The Society of the Roman Catholic Church of The Diocese of Lake Charles

Notes to Financial Statements

2. Summary of Significant Accounting Principles (continued):

Cash and Equivalents

Cash and equivalents include cash in checking accounts, money market accounts, U.S. Treasury Securities purchased with a maturity of three months or less and other interest bearing securities held by financial institutions under repurchase agreements for the benefit of the Diocese. Cash and equivalents are reported in the financial statements at cost, which approximates fair value.

Investments and Securities

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported in the financial statements at fair value. Investments in self-insurance pools are accounted for using the cost method of accounting where the Diocese does not have the ability to exercise significant influence over the operating and financial policies of the self-insurance pool or the equity method of accounting where contractual rights create the ability to exercise significant influence over the operating and financial policies of the self-insurance pool.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted revenue and support depending on the existence and/or nature of any donor restrictions. Restricted net assets resulting from such contributions are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions imposed by the donors or grantors. The amounts reclassified are reported in the Statement of Activities as, "Net Assets Released from Restrictions." The Diocese receives substantial services donated by individuals in carrying out the Diocese's activities. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under Statement of Financial Accounting Standard No. 116.

Property and Equipment

Property and equipment acquisitions are capitalized at cost. Donated property and equipment are recorded at the estimated fair market value at the date of gift. Depreciation expense is recognized under the straight-line method over the estimated useful lives of the assets.

Federal and State Income Taxes

The Diocese is exempt from federal and state income tax under section 501(c) (3) of the Internal Revenue Code and Louisiana Revised Statute 47:287.501.

Functional Allocation of Expenses

The costs of providing various programs and activities of the Diocese have been summarized on a functional basis in the statement of activity. Certain indirect costs have been allocated to the functional areas.

**The Society of the Roman Catholic Church of
The Diocese of Lake Charles**

Notes to Financial Statements

2. Summary of Significant Accounting Principles (continued):

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures in the financial statements. Considerable uncertainty and variability are inherent in such estimates and, accordingly, the subsequent development of such assets or liabilities may not conform to the assumptions used in their estimation and therefore may vary from the amounts reported in the financial statements.

3. Investments and Securities:

The following schedule summarizes investments and securities owned by the Diocese as of June 30, 2004.

	Estimated Fair Value	Carrying Value
Certificates of Deposit	\$200,000	\$200,000
Mutual Funds	107,633	107,633
Corporate Stocks	91,787	91,787
Self-Insurance Pools	502,831	284,699
Total Investments	\$902,251	\$684,119

The Diocese has granted to the Louisiana Office of Workers' Compensation a continuing security interest in a \$100,000 certificate of deposit to secure the payment of obligations arising from the Diocese's participation in the Louisiana Catholic Workers' Compensation Pool.

The following schedule summarizes the investment return, including income from invested cash equivalents, and its classification in the statement of activities for the year ended June 30, 2004.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and Dividend Income	\$ 52,176	\$ -0-	\$ -0-	\$ 52,176
Interest Income Credited to Life Insurance Policies	23,044	-0-	-0-	23,044
Perpetual Trust Distributions	-0-	94,808	-0-	94,808
Unrealized Gains on Investments	23,366	-0-	-0-	23,366
Unrealized Losses on Investments	-0-	-0-	3,355	3,355
Realized Gains on Investments	1,308	-0-	-0-	1,308
Realized Losses on Investments	-0-	-0-	-0-	-0-
Income from Joint Ventures in Self-Insurance Pools	22,345	-0-	-0-	22,345
Net investment income	\$ 122,239	\$ 94,808	\$ 3,355	\$213,692

**The Society of the Roman Catholic Church of
The Diocese of Lake Charles**

Notes to Financial Statements

4. Properties and Equipment:

The composition of property and equipment owned by the Diocese at June 30, 2004, is as follows:

St. Charles Retreat Center	\$5,360,199
Chancery Building	1,091,679
Seaman Center	141,656
Catholic Service Center	47,250
Perry Building	132,993
Diocesan Residence	636,694
Furniture and Equipment	1,238,755
Other Assets	95,006
	<hr/>
	8,744,232
Less Accumulated Depreciation	2,387,307
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Net Property and Equipment	\$6,356,925
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5. Long-Term Mortgage Debt:

The Diocese acquired a residence to be used as such as well as a pastoral care center. The acquisition cost was partially funded with proceeds of a promissory note dated March 28, 2003 in the amount of \$280,000. The Diocese is obligated to repay the debt together with simple interest at an annual rate of 4.24% in 59 monthly installments of \$2,876 and one last payment estimated to be \$157,860. As collateral security for repayment of the debt, the Diocese granted to the lender a continuing security interest in any and all of its funds on deposit with the lender from time to time, which totaled \$250,089 at June 30, 2004. The outstanding balance of the debt as of June 30, 2004 is \$251,089.

As additional security, the Diocese executed a collateral mortgage note dated March 28, 2003 in the amount of \$560,000 payable to bearer on demand with interest at an annual rate of 21% until paid. The Diocese pledged the collateral mortgage note to the lender under the promissory note to secure payment of the promissory note as well as any and all future indebtedness to the lender. The collateral mortgage note is secured by a collateral mortgage against the residential property. Debt service requirements for each of the next four years are scheduled below.

June 30, 2005	\$ 24,335
June 30, 2006	\$ 25,387
June 30, 2007	\$ 26,484
June 30, 2008	\$174,883

**The Society of the Roman Catholic Church of
The Diocese of Lake Charles**

Note to Financial Statements

6. Net Assets Released from Restrictions:

Net assets were released from donor-imposed restrictions during the year through expenditures under programs specified by donors and grantors. The following schedule summarizes expenditures on a functional basis, which resulted in the release of assets from such restrictions.

Purpose Restrictions:

Clergy Life and Support:	\$175,323
Pastoral Services and Support	412,174
Social Services and Support	381,812
Property Acquisition and Renovation	127,992
Total	<u>\$1,097,301</u>

7. Temporarily and Permanently Restricted Assets:

Temporarily and permanently restricted assets are available for the following periods or purposes at June 30, 2004.

	Temporarily Restricted	Permanently Restricted
Grants Receivable-Program Funding for 2005	\$379,646	\$ -0-
Grants Receivable-Development Office Funding	150,000	-0-
Cash-Development Office Funding	50,000	-0-
Cash-Needy Parish Funding	33,773	-0-
Cash-Social Services and Support	269,169	-0-
Investments Held in Perpetual Trust-Social Services	-0-	1,584,614
Total	<u>\$882,588</u>	<u>\$1,584,614</u>

The fair market value of the underlying securities of a perpetual trust established by an individual donor for the benefit of the Diocese totaled \$1,584,614 at June 30, 2004. Under the terms of the trust, the trustee shall distribute the net income to the Diocese to be used to benefit the poor and needy to include direct assistance for food, clothing, housing, medical and other basic needs or provide academic scholarships for academically deserving financially needy students seeking a baccalaureate degree from a Louisiana public or private accredited college or university who would otherwise not be able to continue their education.

**The Society of the Roman Catholic Church of
The Diocese of Lake Charles**

Notes to Financial Statements

8. Designations of Unrestricted Assets:

Management has designated certain amounts of unrestricted assets in order to provide financial resources for future program costs. Applicable programs and the amounts designated as of June 30, 2004 are as follows:

Operation of St. Charles Retreat Center	\$ 144,589
Scholarships to Local Catholic Schools	248,025
Diocesan Clergy Retirement	682,744
Self-insured Health Care Program	348,364
Seminarian Education Funding	1,032,438
Property and Casualty Insurance Program	1,765,358
Planned Giving Program	<u>4,747</u>
Total	<u>\$4,226,265</u>

9. Insurance Programs and Significant Estimates:

The Diocese maintains a self-insured hospitalization insurance program for employees of the Diocese as well as all catholic parishes, schools and other related organizations. The program is administered through the Louisiana Health Service and Indemnity Company d/b/a/ Blue Cross Blue Shield of Louisiana under a contract with the Diocese and funded with premiums paid by each participating entity. For claims arising during the policy year ended June 30, 2004, the Diocese is obligated to pay the first \$75,000 in qualified claim costs per participant and \$1,983,371 aggregate claim costs. Blue Cross underwrites the reinsurance policy, which pays excess claim costs on a specific or aggregate basis. Management has established a reserve for estimated incurred but not reported (IBNR) claim costs of \$92,533 with a corresponding charge against net assets.

The Diocese provides all Catholic parishes, schools and other affiliated entities with primary property and liability insurance coverage obtained from the Catholic Mutual Group. The Diocese is responsible for the first \$25,000 of property claim costs per location limited to \$75,000 per occurrence and the first \$25,000 of liability claim costs per occurrence. The Diocese's total risk retention is subject to an aggregate annual limit of \$225,000 of claim costs. Management has established a reserve for estimated claim costs as of June 30, 2004 of \$67,579 with a corresponding charge against net assets.

The Diocese is a participant and owns an equity interest in the Catholic Umbrella Pool II (Pool), a self-insurance pool that provides excess liability insurance coverage for its membership, which consists of various Catholic dioceses throughout the United States. For the period July 1, 1995 through June 30, 2003, the Pool is responsible for 100% of individual casualty claims exceeding \$1,500,000 to a limit of \$5,500,000. For the period beginning July 1, 2003 to the present, the Pool is responsible for 47.4% of individual casualty claims exceeding \$1,500,000 to a limit of \$5,500,000. Also, effective July 1, 2003, the Pool has 5% participation for coverage in excess of \$1,500,000 up to \$5,500,000 for morality certificates and up to \$20,000,000 for liability certificates. Participating Dioceses are liable for any losses beyond the Pool's responsibilities to fund such losses. The Diocese uses the cost method of accounting for its interest in the pool, which is reported as a component of investments and carried in the statement of financial position at \$ 0. The Diocese's equity in CUP II as of June 30, 2004 totaled \$218,132.

**The Society of the Roman Catholic Church of
The Diocese of Lake Charles**

Notes to Financial Statements

9. Insurance Programs and Significant Estimates (continued):

The Diocese is a participant and owns an equity interest in the Louisiana Catholic Workers' Compensation Pool (Pool), an unincorporated joint venture created to provide workers' compensation insurance coverage to its membership, which consists of four Catholic dioceses in Louisiana. For claims arising during the three years beginning January 1, 1996, the Pool is responsible for the first \$225,000 of claim costs per occurrence with an aggregate limit of claim costs of \$2,325,000. For claims arising during the two years beginning January 1, 1999, the Pool is responsible for the first \$225,000 of claim costs per occurrence with an aggregate limit of claim costs of \$2,000,000. For claims arising during the two years beginning January 1, 2001, the Pool is responsible for the first \$225,000 of claim costs per occurrence with an aggregate limit of claim costs of \$2,750,000. For claims arising during the three years beginning January 1, 2003, the Pool is responsible for the first \$275,000 of claim costs per occurrence with an aggregate limit of claim costs of \$2,750,000 through December 31, 2003, and \$2,850,000 thereafter. The Pool maintains excess insurance coverage for claim costs exceeding its specific and aggregate risk retention. The aggregate excess insurance coverage is limited to \$5,000,000.

The Diocese uses the equity method of accounting for its investment in the pool, which is reported as a component of investments and carried in the statement of financial position at \$284,699.

10. Retirement Plans and Post Retirement Benefits:

The Diocese sponsors a defined contribution retirement plan under Internal Revenue Code Section 403(b) that allows tax deferred contributions to segregated accounts through voluntary salary reduction agreements. The Diocese matches employee contributions up to 1.5% of annual compensation for its participating lay employees.

The Diocese maintains a defined contribution pension plan under Internal Revenue Code Section 401(a), which allows employees to make after tax contributions to the plan. The Diocese matches employee contributions up to 1.5% of annual compensation for lay employees and contributes a fixed amount of \$904 to the plan annually for those members of the clergy assigned to the Diocese. Contributions to all defined contribution type plans by the Diocese for the year ended June 30, 2004 totaled \$10,291. Contributions to the plan on behalf of members of the clergy assigned to parishes are funded from the general assets of the parish to which each member is assigned.

The Diocese has a policy of providing specific retirement pension benefits to all retired members of the diocesan clergy, which is similar in substance to a defined benefit plan. Under the policy, the Diocese pays from its general assets a monthly retirement benefit to qualified retirees in an amount that, when added to the monthly pension annuity available under the defined contribution plan, totals \$1,610 per month. Payments to retired clergy under this policy totaled \$176,748 for the year ended June 30, 2004. The Diocese received a grant of \$40,000 and received \$101,776 from proceeds of an annual collection to provide funding for its defined benefit pension obligations. Additionally, the Diocese collected \$64,350 from an assessment of Catholic parishes equal to \$1,800 for each member of the diocesan clergy assigned to such parish. The proceeds are invested in non-trust accounts to provide additional funding for the Diocese's defined benefit pension obligations. Pension expense for the year ended June 30, 2004 totaled \$187,039.

**The Society of the Roman Catholic Church of
The Diocese of Lake Charles**

Notes to Financial Statements

10. Retirement Plans and Post Retirement Benefits: (continued)

The Diocese also has a policy of providing post retirement health care benefits to all retired members of the diocesan clergy

Under generally accepted accounting principles, a defined benefit pension plan and the provision of post retirement health care costs are deferred compensation arrangements, the cost of which should be recognized over the period of service rendered by an eligible employee.

Statement of Financial Accounting Standard (SFAS) No. 87 and No. 88 and subsequent standards supplementing the guidance there under requires the recognition, as of the balance sheet date, of a liability for the benefit obligations in an amount representing the actuarial present value of the pension and post retirement health care benefits attributed to employee service rendered prior to the date of the statement of financial position. The net periodic pension and post retirement health care expense consists of several components including a service cost, which is the actuarial present value of benefits attributed to employee service during the reporting period, an interest cost, which is the increase in the benefit obligations as a result of the passage of time, and certain gains and losses related to the value of plan assets and changing assumptions used in estimating benefit obligations.

These financial statements do not include a liability for the accumulated benefit obligations attributable to past services rendered by diocesan clergy and the periodic pension and post retirement health care expense are recognized as benefit payments are made.

11. Related Party Transactions:

The Diocese is a participant and has an equity interest in the Louisiana Catholic Workers' Compensation Pool as more fully described in Note 8. The Diocese made payments to the Pool during the year totaling \$140,434 for workers' compensation insurance coverage for all employees of the Diocese, as well as, Catholic parishes, schools and other affiliated entities that pay premiums to the Diocese under the self-insured program.

12. Concentration of Credit Risk:

The Diocese maintains its cash in bank deposit accounts in amounts that exceed federally insured limits. The amount of bank deposits in excess of FDIC coverage totaled \$856,935 at June 30, 2004. Additionally, U. S. Treasury securities, securities of the Federal National Mortgage Association (FNMA) or similar securities with a fair market value of \$367,489 acquired by the Diocese under repurchase agreements are held by the financial institution defined as the seller under the repurchase agreements. The repurchase agreements are used to facilitate nightly sweep service out of non-interest bearing direct deposit accounts. The Diocese does not require collateral or specific segregation of the securities held on its behalf from other securities held by the financial institution. Other financial instruments owned by the Diocese that result in significant concentrations of credit risk include investment securities and money market funds held in brokerage accounts, grants receivable in the amount of \$350,000 and \$180,000 from two national Catholic organizations, and life insurance contracts with cash surrender values totaling \$436,164 held by a single insurance company.

**The Society of the Roman Catholic Church
of the Diocese of Lake Charles**

**Supplemental Information
Year Ended June 30, 2004**

**THE SOCIETY OF THE ROMAN CATHOLIC CHURCH OF
THE DIOCESE OF LAKE CHARLES**

Schedule of Functional Expenses

Year Ended June 30, 2004

(With comparative totals for the year ended June 30, 2003 and 2002)

	CLERGY LIFE & SUPPORT	PASTORAL SERVICES & SUPPORT	SOCIAL SERVICES & SUPPORT	HEALTH & CASUALTY INSURANCE	GENERAL ADMINISTRATION	FUND RAISING	2004 TOTALS	2003 TOTALS	2002 TOTALS
Assessments	\$ -	\$ 16,113	\$ -	\$ -	\$ 57,665	\$ -	\$ 73,778	\$ 40,116	\$ 56,109
Accounting, auditing & consulting	-	-	-	-	45,350	-	45,350	35,370	40,670
Auto & residence allowances	5,703	21,600	10,800	-	10,800	-	48,903	44,443	45,363
Books, periodicals & publications	102	26,655	423	-	4,172	1,393	32,745	29,397	28,549
Charitable donations & gifts	305	-	97,023	-	-	-	97,328	120,329	84,292
Clergy welfare assistance	34,440	-	-	-	-	-	34,440	76,501	42,217
Contracted services	2,184	40,737	82	155,098	71,082	-	269,183	259,111	219,928
Dues & memberships	563	6,122	693	-	3,104	1,406	11,888	11,825	10,553
Hospitalization claims	-	-	-	1,263,390	-	-	1,263,390	1,308,347	1,328,214
Hospitalization insurance	-	-	-	251,201	-	-	251,201	216,181	169,634
Interest expense	19,765	-	-	-	-	-	19,765	-	-
Life insurance	-	-	-	-	-	11,914	11,914	15,311	10,909
Newspaper	-	82,034	-	-	-	-	82,034	81,863	80,356
Occupancy costs (A)	5,734	68,463	12,425	-	30,611	3,712	120,945	118,713	107,397
Office supplies & expenses	-	40,779	7,695	241	24,450	10,044	83,209	53,985	54,449
Other expenses	-	3,070	-	-	-	17,154	20,224	32,928	26,129
Payroll & other taxes	1,187	29,761	6,625	-	24,208	4,822	66,603	66,564	59,893
Postage & shipping	826	20,144	717	442	15,467	4,227	41,823	32,808	31,873
Property & casualty claim costs	-	-	-	40,459	-	-	40,459	197,553	181,793
Property & casualty insurance	2,064	37,479	4,327	853,513	6,989	231	904,603	755,718	740,452
Provision for bad debts	-	-	-	-	3,786	-	3,786	6,736	15,093
Public relations	10,246	22,191	2,919	-	4,625	4,514	44,495	40,765	45,993
Repairs & maintenance	16,384	64,469	13,960	-	10,396	1,399	106,608	69,564	70,661
Residence & retreat center supplies	26,905	80,476	-	-	-	-	107,381	86,467	82,772
Retirement expense	178,572	3,872	446	-	3,210	939	187,039	158,579	128,218
Salaries	15,511	464,237	97,119	-	251,628	63,033	891,528	933,360	917,874
Seminars, retreats & conferences	4,802	147,590	4,492	-	22,433	2,430	181,747	152,311	200,641
Subsidies & grants	7,200	392,875	255,044	-	28,193	-	683,312	483,817	483,236
Telephone expense	6,386	10,829	32,971	-	6,709	921	57,816	71,178	50,953
Television & radio	-	108,915	-	-	-	-	108,915	91,000	99,755
Travel & transportation	1,821	18,391	7,131	826	30,360	1,109	59,638	59,865	63,254
Tuitions & seminarian costs	-	83,198	-	-	-	-	83,198	107,354	148,758
	340,700	1,790,000	554,892	2,565,170	655,238	129,248	6,035,248	5,758,059	5,625,987
Depreciation expense	24,648	129,497	40,143	-	47,403	8,495	250,186	239,964	237,845
Combined Totals	\$ 365,348	\$ 1,919,497	\$ 595,035	\$ 2,565,170	\$ 702,641	\$ 137,743	\$ 6,285,434	\$ 5,998,023	\$ 5,863,832

(A) Allocated indirect costs to functional categories

